

City of Asheville
North Carolina



FY 2010-11 BUDGET UPDATE WORKSESSION

Ben Durant
Chief Financial Officer



Overview

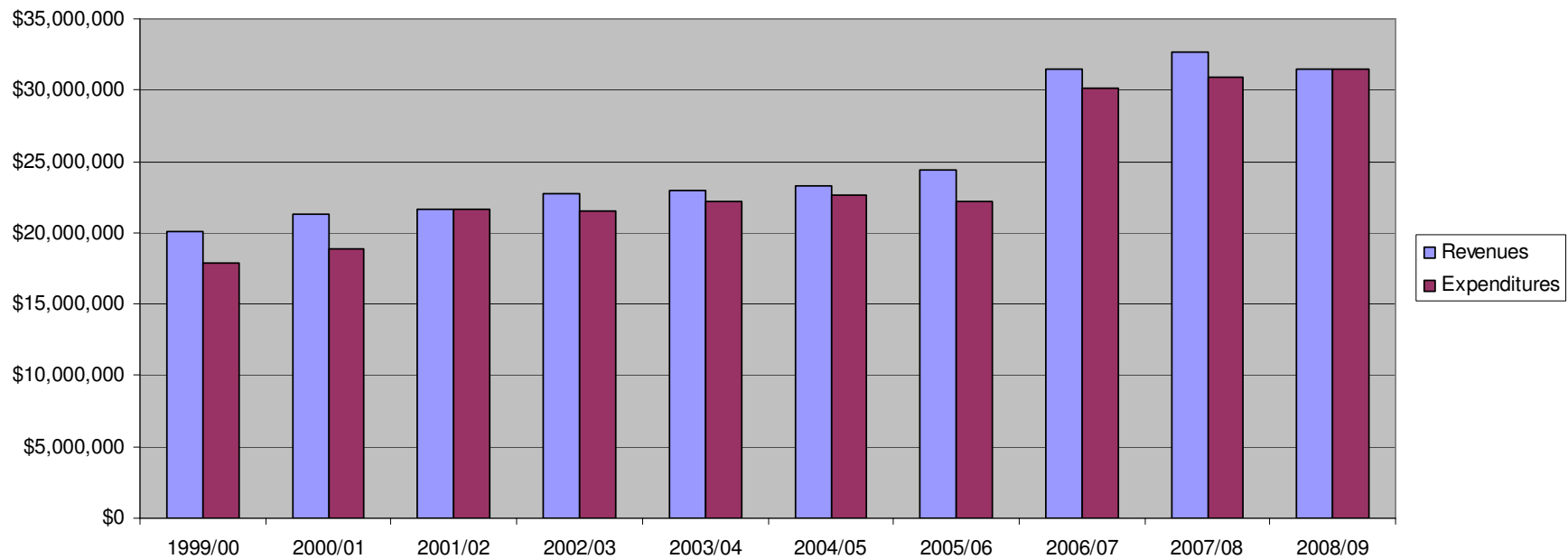


- Water Fund
- Stormwater Fund
- Parking Fund
- Transit Fund
- Compensation & Health Care Program
- General Fund Operating Budget
- General Fund Capital Budget

Water Fund Financial Trends: FY 2000 to FY 2009



**Total Water Revenues vs. Expenditures
FY 1999-'00 to FY 2008-'09**



Water Resources

FY 2010-11 Budget Forecast



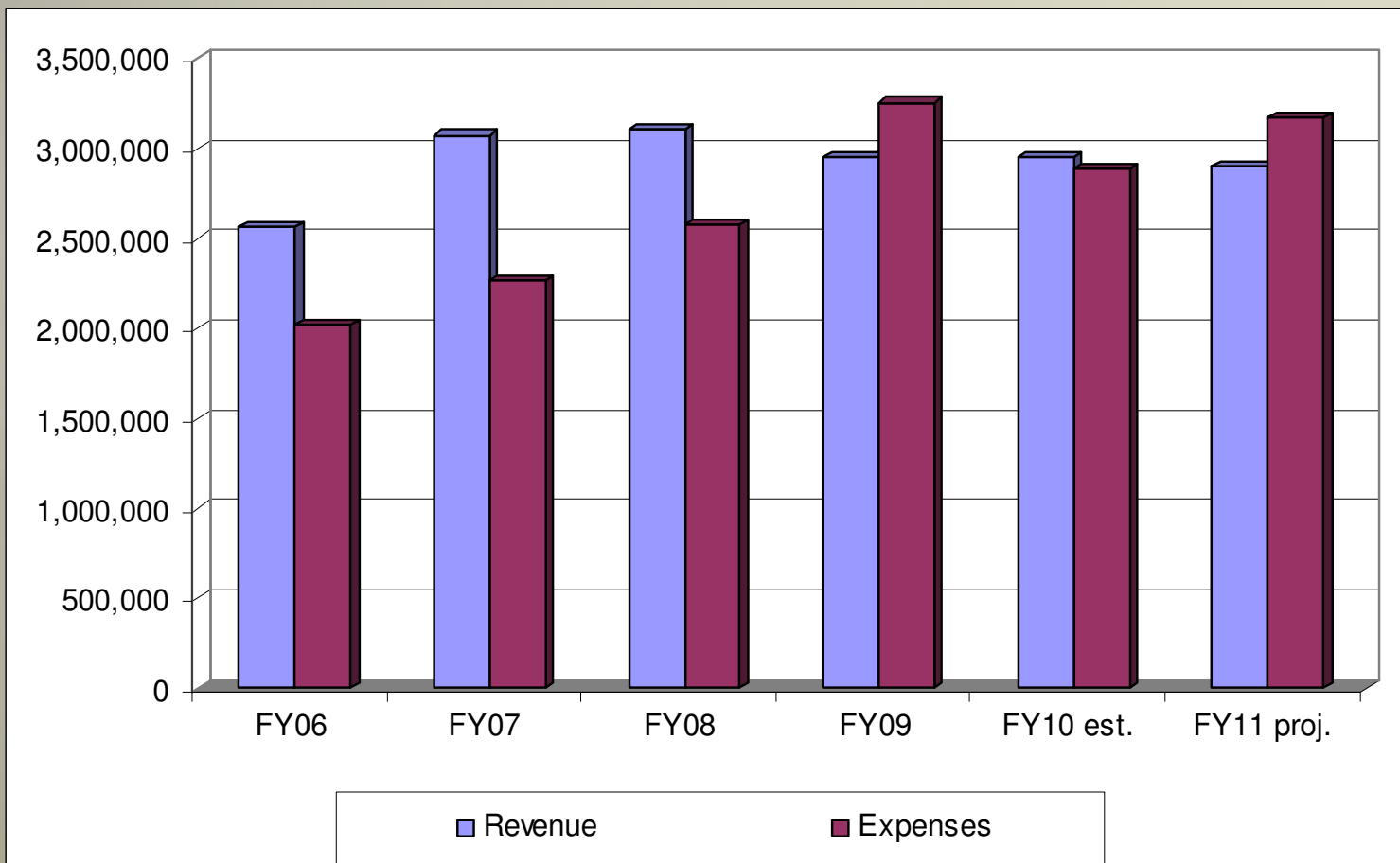
- Declining revenues due to current economic conditions.
- \$1.65 million (5% annually) transferred from Water Resources Revenue to General Fund per Sullivan Act Amendments.
- Water Resources commodities and materials purchases subject to global market conditions and inflation.
- Water Resources experienced a 50% increase in debt service payments from FY 2007 to FY 2009.
- FY 2011 expenditures are projected to equal revenues.

Water Fund Policy Recommendations



- Based on bond covenants and debt service obligations a 4% rate increase is needed to meet those commitments.
- Additionally, a 5% rate increase is needed to offset the Sullivan Act transfer of revenue to the General Fund.
- Proposed rate increases would apply to consumption charges and the capital improvement fee.
- Without a substantial rate increase the alternative approach is to extend the time frame (delay) to accomplish capital improvements.

Stormwater Fund Financial Trends



Stormwater Fund

FY 2010-11 Budget Forecast



- Current budget deficit of \$278,000.
- \$2.3 Million bond for stormwater projects – annual debt service \$190,000.
- No stormwater rate increase proposals.
- \$62,500 expenditure toward street repairs (1/2 year), \$135,000 each year thereafter.

Stormwater Fund Policy Recommendations



- Eliminate two positions \$78,000.
- Reduce salary line item by \$100,000 to be paid by ARRA funding for inspections of projects.
- Reduce salary line item by \$100,000 to be paid from bond projects that are completed by in-house crews.

Parking Fund Financial Trends: Operating Results



	Revenue	Operating Expenses	Transit Support	Revenues Over (Under) Expenses
FY05	2,519,574	1,620,936	0	898,638
FY06	2,473,602	1,559,925	0	913,677
FY07	2,927,021	1,893,523	248,116	785,382
FY08	3,095,654	2,358,799	248,116	488,739
FY09*	2,849,477	3,206,526	248,116	(605,165)
FY10 est.	2,800,000	1,751,884	248,116	800,000
FY11 est.**	2,802,500	2,196,297	248,116	358,087

* Operating expenses include \$1,082,000 for deck maintenance projects

** Operating expenses includes \$500,000 for debt service

Parking Fund

FY 2009-Anticipated Revenue



- Parking Deck & Surface Lots Revenue = \$1,140,000
- Meters & On-Street Monthly Permits Revenue = \$960,000
- Parking Citations & Late Fees = \$700,000

Parking Fund

FY 2010-11 Budget Forecast



- \$500,000 is included for possible debt service on a new parking garage.
- Funding for Transit will remain at \$248,116.
- Revenues will exceed expenses by \$358,000.

Parking Fund Policy Recommendations



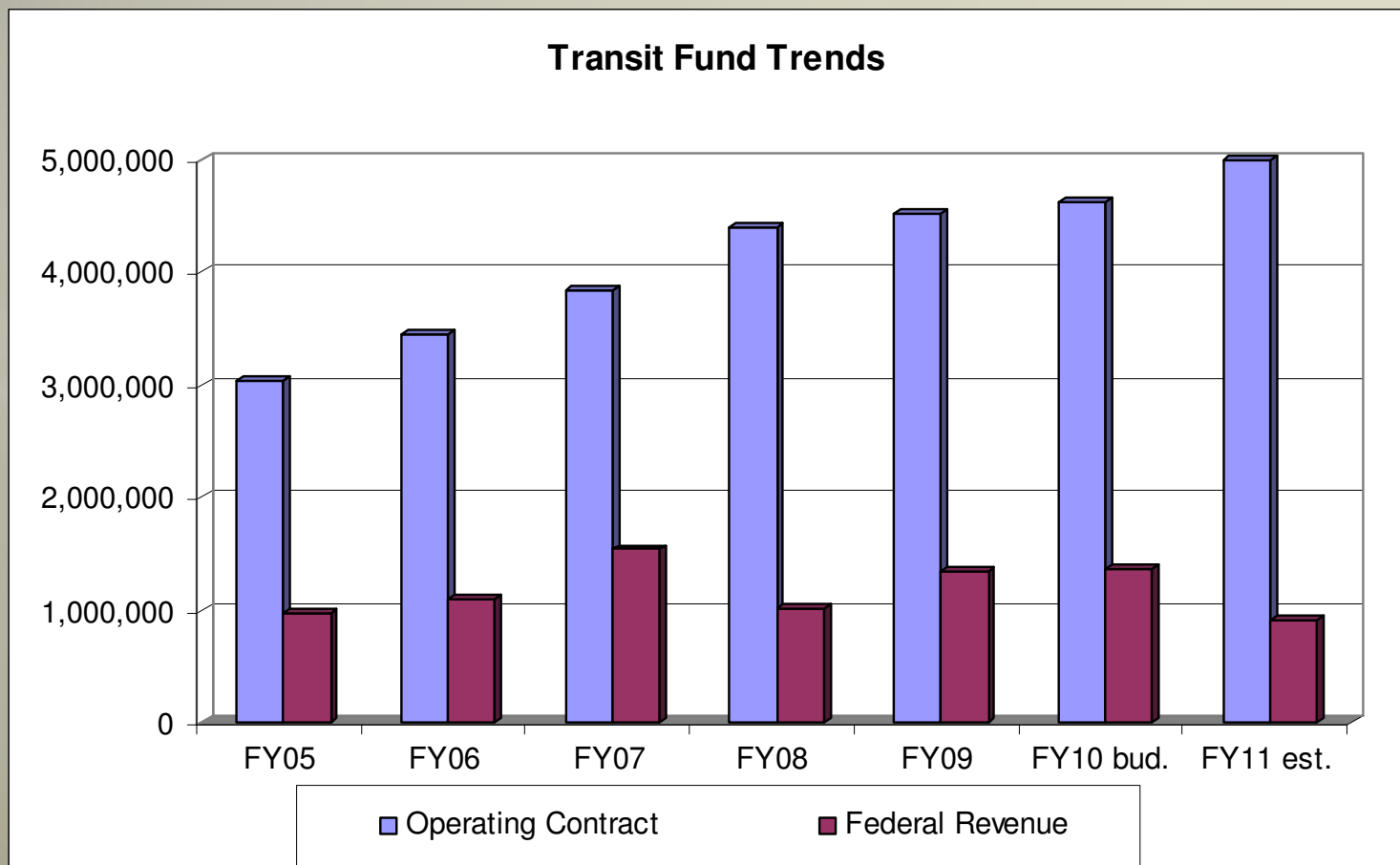
- Per the Parking Plan, continue to build fund balance to \$3,000,000 for future deck construction
- Continue Transit Fund transfer at current level or increase to by \$51,884 to \$300,000

Parking Fund Alternative Policy Recommendations



- Transfer the entire \$358,000 in excess revenue to Transit.
- Transfer \$1.0 million from Parking fund balance to Transit.

Transit Fund Trends: Increasing Costs & Decreasing Federal Support



Transit Fund

FY 2010-11 Budget Forecast



- Current Forecast: \$880,000 budget imbalance.
 - \$390,000 or 8.4% increase in operating expenses
 - \$457,000 decrease in federal funding.
 - \$33,000 decrease in fare revenue
- Implement Short-Term System-wide Changes Recommended by the Transit Master Plan
 - Estimated additional annual cost of \$780,000.

Transit Fund Policy Recommendations



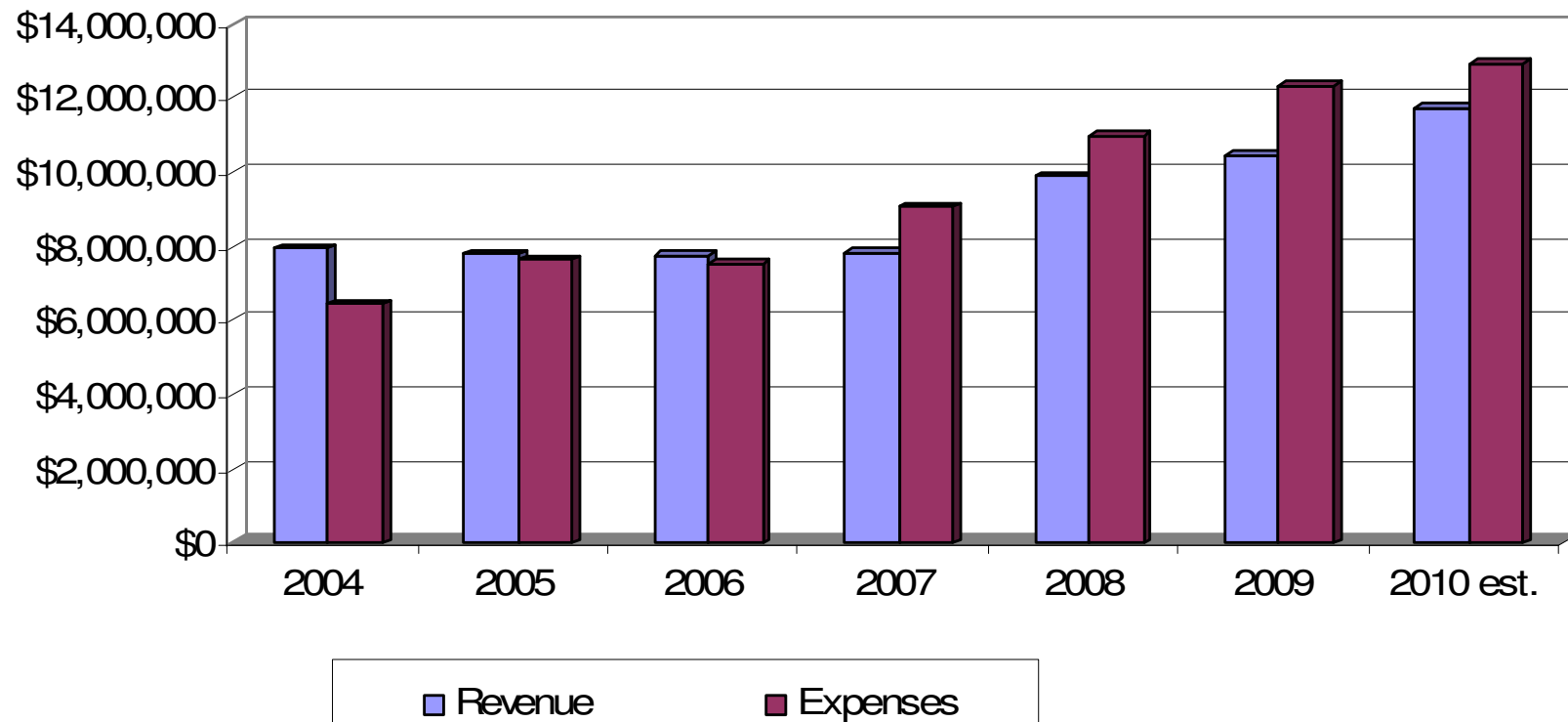
- Eliminate all evening service and Saturday service along Routes 4,5,12, and 16 = \$599,000.
- Limit General Fund Subsidy
- Defer implementation of short-term system-wide changes recommended by the Transit Master plan until funding source is identified
- Pursue Other Revenue Sources
 - New fare structure: reduce existing discounts = \$47,000
 - Transfer additional funding from Parking Fund = \$51,884
 - Seek legislative authority to increase motor vehicle fee under GS# 20-97 = \$310,000
 - Work with County Commissioners to establish a motor vehicle fee under GS# 105-557 = \$434,000

Compensation and Benefits

Financial Trends: Health Care



Health Care Program



Compensation and Benefit Trends



- Salary Increases for Employees:
 - FY05: 3% Merit and 1% COLA
 - FY06, FY07, FY08: Merit (3-4%) and Market adjustments (0-10%)
 - FY09: 0 %
 - FY10: PROPOSED 2% COLA
- Healthcare Cost Increases to Employees:
 - FY 05: 15%
 - FY 06: 0%
 - FY 07: 18%
 - FY 08: -5% (major plan design and category changes)
 - FY09: 0%
 - FY10: PROPOSED 5%

Compensation and Benefit Trends



- Increases in Claims Costs Trending Downward on a Per Person Basis
- Average Cost Per Employee is At or Below National Average
- Current Projection of 7% increase which equals 2.1M in revenue and cost reductions

Compensation and Benefits Policy Recommendations



- 1.5M from General Fund and 700K from Employee Contribution and Plan Changes to Cover Projected Costs
- 2% cost of living adjustment for employees
- Domestic Partner Benefits Implemented July 1, 2011

Parks Subsidies



<u>FY 2008-09 Actuals</u>	<u>Operating Revenue</u>	<u>Expenses</u>	<u>City Subsidy</u>
<u>Regional Facilities:</u>			
Nature Center	531,098	1,099,040	(567,942)
Aston Tennis	79,157	234,412	(155,255)
McCormick Field	95,000	192,783	(97,783)
Skate Park	33,999	87,632	(53,633)
Total Regional Facilities	739,254	1,613,867	(874,613)
<u>Other Parks Programs:</u>			
After School	236,730	317,889	(81,159)
Athletics	147,113	593,978	(446,865)
Cemetery	57,220	247,740	(190,520)
Recreation	169,652	2,259,213	(2,089,561)
Swimming	94,135	177,821	(83,686)
Total Other Programs	704,850	3,596,641	(2,891,791)

Outside Agencies



Outside Agency	2009-10 Budget
Asheville Art Museum	\$5,000
Center for Diversity Education	\$1,200
Child Abuse Prevention Services, Inc.	\$6,000
Children First /Communities in Schools	\$22,500
Design Center	\$5,000
Hall Fletcher PTO	\$5,000
Homeward Bound of Asheville-AHOPE	\$20,000
Kids Voting Buncombe County	\$1,000
Meet the Geeks	\$3,000
One Youth at a Time	\$7,000
United Way 2-1-1 and Hands On	\$5,000
YWCA of Asheville and WNC	\$10,000
Housing Authority-Youthful HAND	\$5,000
Total	\$95,700

Note: The following agencies receive funding through an annual appropriation but are no longer part of the outside agency process: EDC (\$50,000), Asheville Greenworks (\$10,000), and Community Relations Council (\$50,000)

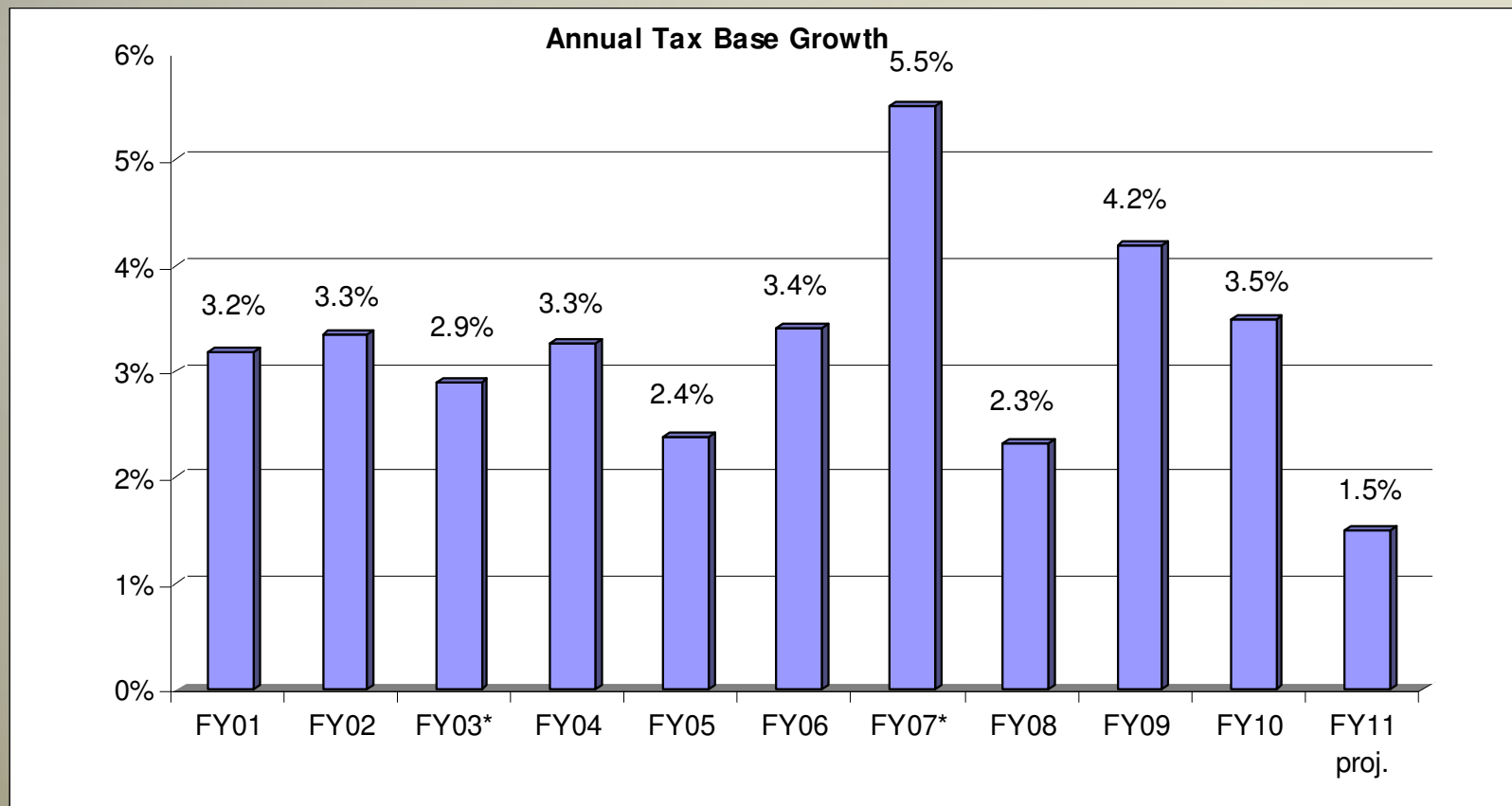
Parks Subsidies & Outside Agencies Policy Recommendations



- Outsourcing/contracting out of parks facilities & programs
- Full cost recovery for rental/lease of facilities & parks
- Establish a baseline cost recovery for recreational, athletic, & other parks programs
- Expansion of non-resident fees
- Reduce outside agency funding by 4% & 8%

General Fund Operating Budget

Financial Trends: Property Tax

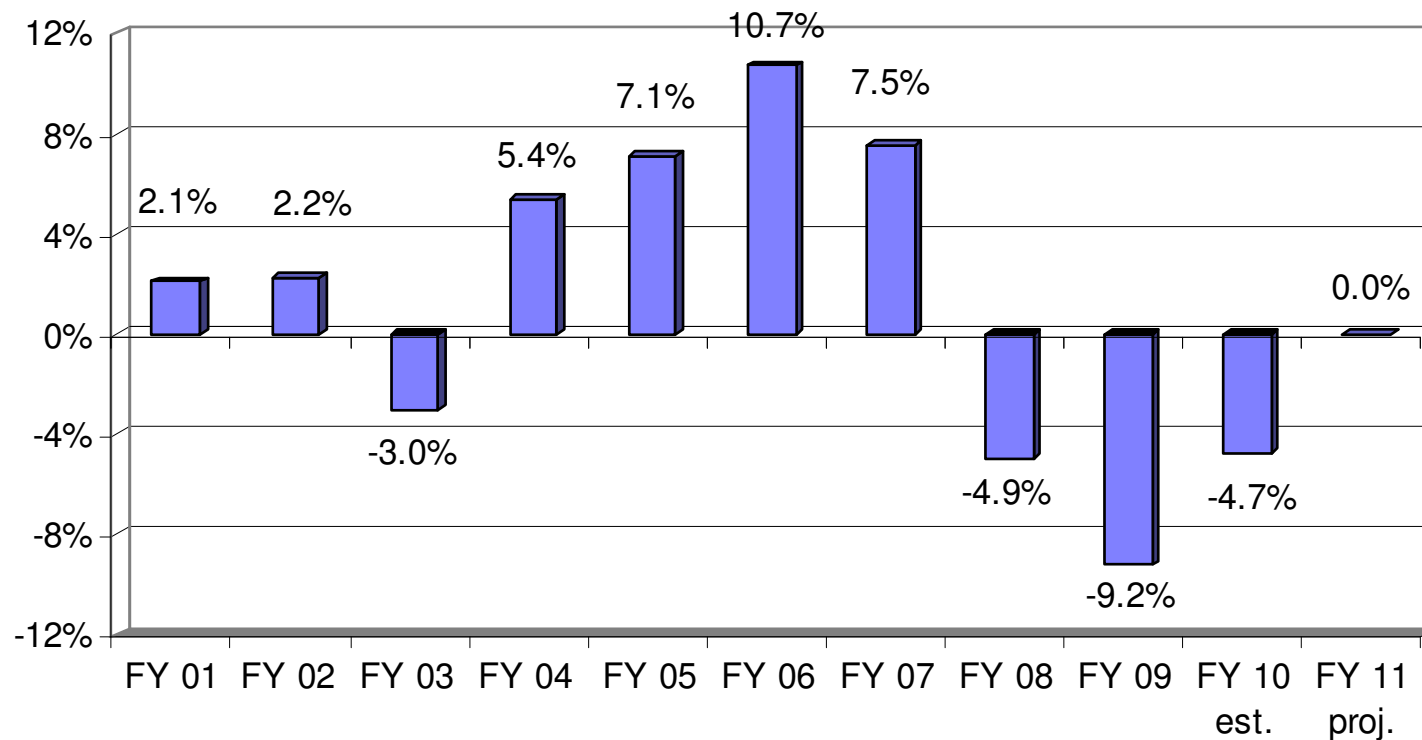


General Fund Operating Budget

Financial Trends: Sales Tax

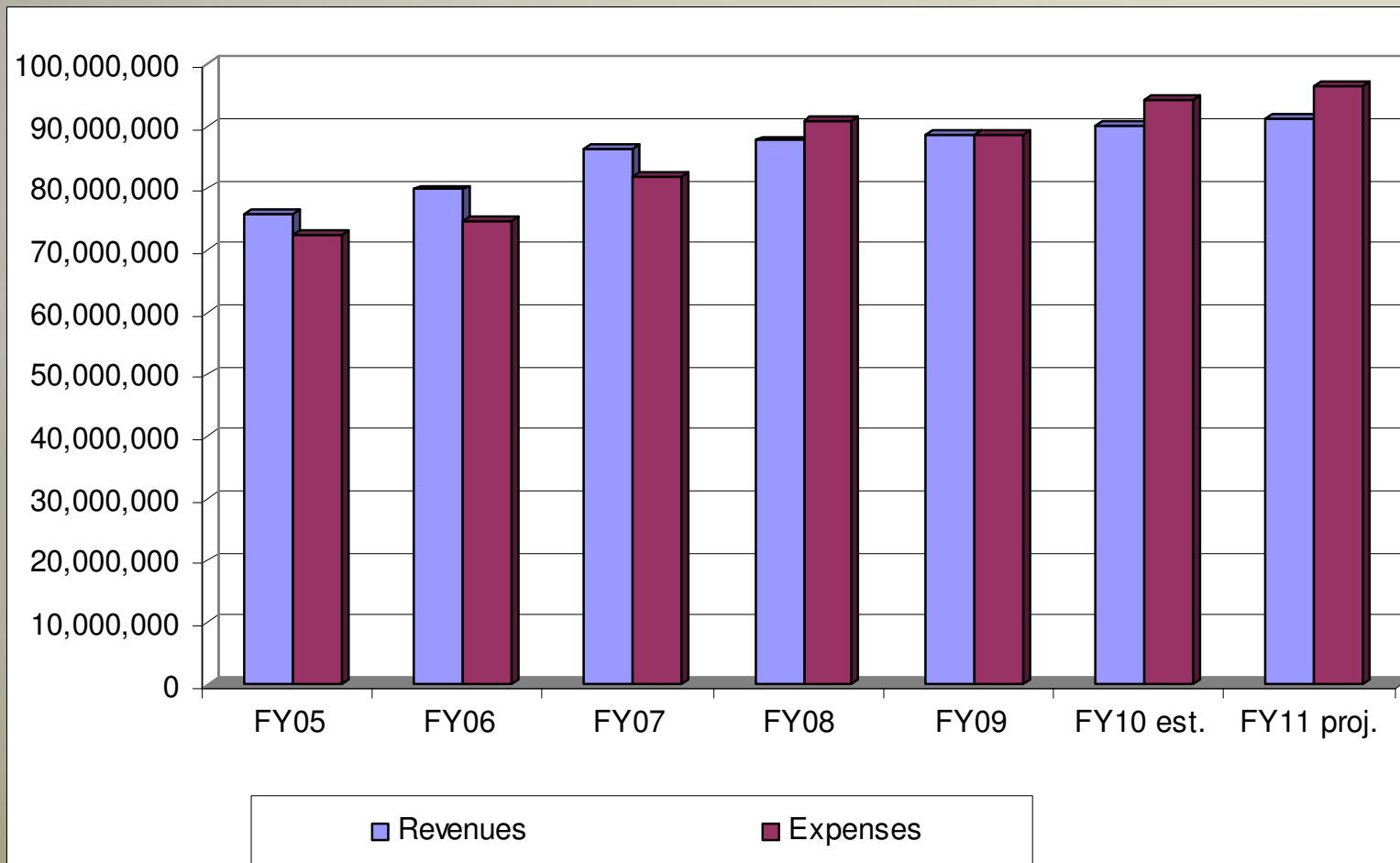


Sales Tax Trends



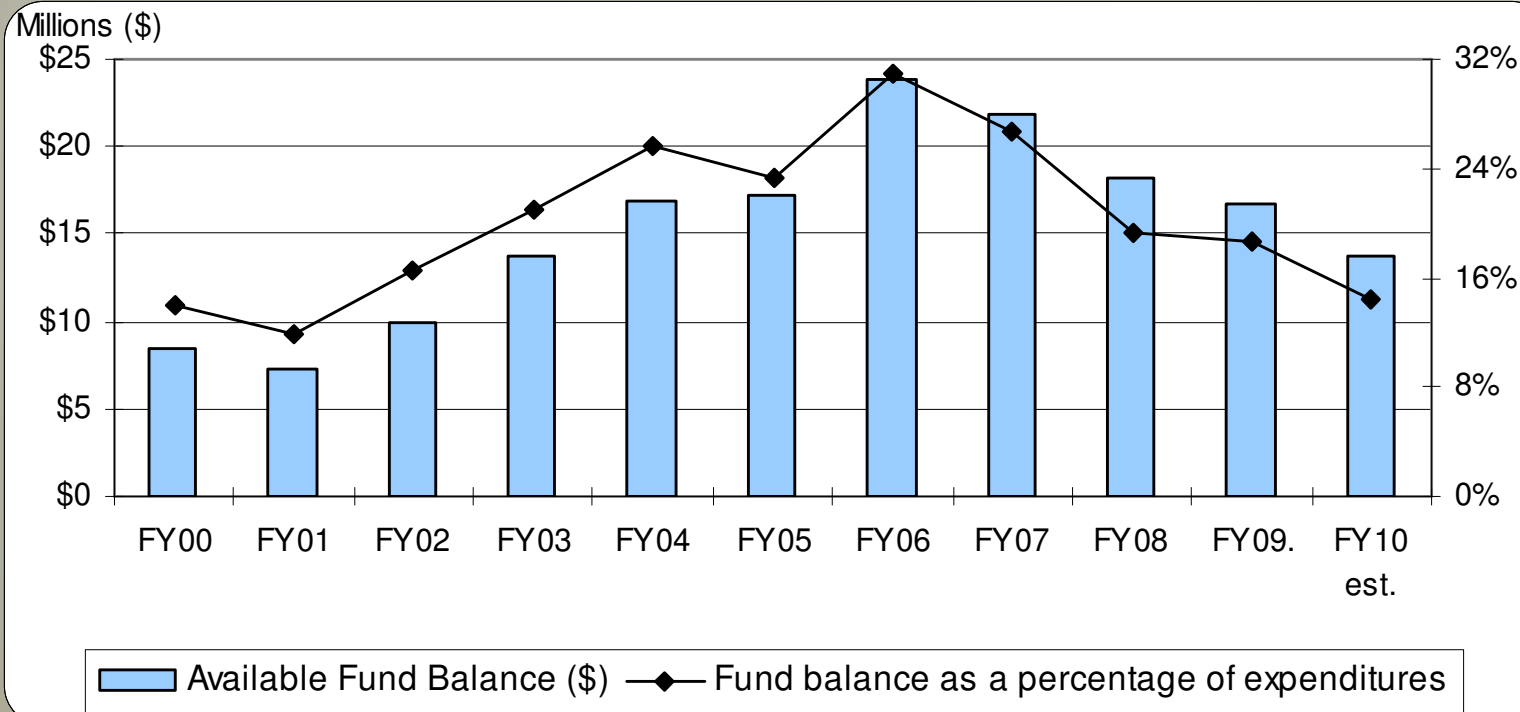
General Fund Operating Budget

Financial Trends: Revenue vs. Expenditures



General Fund Operating Budget

Financial Trends: Fund Balance



General Fund Operating Budget Forecast FY 2010-11



- Current budget gap forecast: \$3.5 million or 3.7%
 - assumes \$2.0 million in departmental cost reductions
- Revenues will be flat compared to current budget
- No fund balance appropriation
- Expenses will increase due to:
 - Health care & retirement benefit cost increase
 - Inflation & employee cost of living adjustment
- Subsidies to other funds:
 - \$880,000 increase in Transit subsidy
 - All other subsidies budgeted at existing levels
- Outside agencies currently projected at existing budget levels

General Fund Operating Budget Policy Considerations/Recommendations



- Pursue additional revenue enhancement opportunities
 - Examples: business privilege licenses, athletic fees, motor vehicle fee
- Apply 4% & 8% reduction to outside agencies
- Reduce subsidies to other funds & propriety-type funds
- Maintain existing funding for core/basic services
- Pursue further cost reductions for non-essential services
- Preserve fund balance for one-time or emergency use only
- Seek legislative partnerships/additional revenue authority

Business Privilege History



	Old Fee	FY 2006-07 Adjustment	FY 2007-08 Adjustment (Current Fee)
Retail:	Minimum fee = \$25 \$0.60 per thous. over \$15,000 (+\$25) Maximum fee = \$1,500	Minimum fee = \$25 \$0.50 per thous. over \$15,000 (+\$25) Maximum fee = \$10,000	Minimum fee = \$25 \$0.50 per thous. over \$15,000 (+\$25) No Maximum
Service:	Minimum fee = \$25 \$0.60 per thous. over \$15,000 (+\$25) Maximum fee = \$1,000	Minimum fee = \$25 \$0.50 per thous. over \$15,000 (+\$25) Maximum fee = \$10,000	Minimum fee = \$25 \$0.50 per thous. over \$15,000 (+\$25) No Maximum
Wholesale:	Minimum fee = \$45 \$0.35 per thous. over \$100,000 (+\$45) Maximum fee = \$1,500	Minimum fee = \$45 \$0.30 per thous. over \$100,000 (+\$45) Maximum fee = \$10,000	Minimum fee = \$45 \$0.30 per thous. over \$100,000 (+\$45) No Maximum
Manufacturer:	Minimum fee = \$25 \$0.60 per thous. over \$15,000 (+\$25) Maximum fee = \$1,000	Minimum fee = \$25 \$0.50 per thous. over \$15,000 (+\$25) Maximum fee = \$1,000	Minimum fee = \$25 \$0.50 per thous. over \$15,000 (+\$25) Maximum fee = \$1,000
Revenue Gain:		\$225,000	\$75,000

Business Privilege Options



- Restore retail, service, & wholesale rates to previous levels
 - Additional Revenue: \$100,000
 - Retail: \$80,000
 - Service: \$15,000
 - Wholesale: \$5,000
- Typical (median) business would see \$15 annual increase
- If manufacturing were adjusted back to prior levels: \$6,000 revenue gain

General Fund Capital Budget Financial Trends

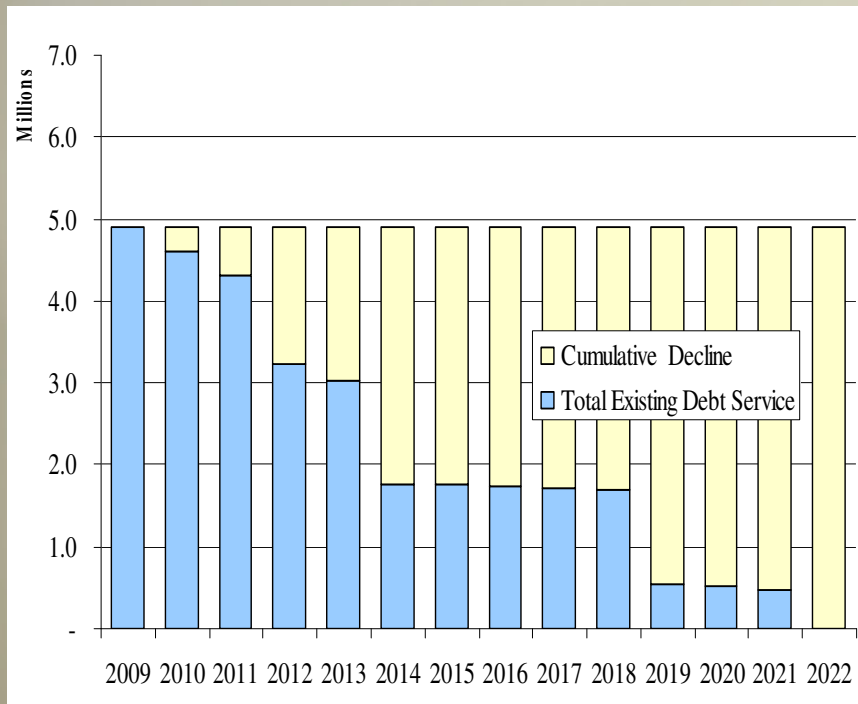


- Capital program enhanced in FY07 & FY08 with the use of fund balance & increased General Fund support.
- Since the onset of the economic downturn, General Fund capital support has declined by **16%**.
- Discretionary funding for capital improvements is limited.
- Debt service projected to decline by **\$1.0 million** in FY12 & by another **\$1.0 million** in FY14.

Debt Service Trends



Existing Tax Supported Debt Service



FY	Total Existing Debt Service	Cumulative Decline	Debt Capacity ⁽¹⁾
2009	4,908,664	n/a	
2010	4,599,068	309,596	
2011	4,316,633	592,031	
2012	3,222,193	1,686,472	
2013	3,031,519	1,877,145	
2014	1,771,525	3,137,139	35,000,000
2015	1,751,327	3,157,337	
2016	1,728,823	3,179,842	
2017	1,709,012	3,199,652	
2018	1,691,639	3,217,025	
2019	541,447	4,367,217	54,000,000
2020	521,349	4,387,315	
2021	472,001	4,436,663	
2022	-	4,908,664	58,000,000

(1) Denotes the cumulative amount of debt that could be issued to replace existing debt being amortized.

General Fund Capital Budget FY 2010-11 Budget Forecast



- Current General Fund capital allocation: **\$7.8 million**
- Less existing debt service: **- 5.2 million**
- Resources left for equipment, facility **\$2.6 million**
maintenance & major capital improvements
- Additionally, \$1.6 million is available in Sullivan Act funding
for street & sidewalk improvements related to water projects.

General Fund Capital Budget FY 2010-11 Budget Forecast



Immediate Infrastructure & Equipment Needs:

- City Hall Exterior Repairs \$5.5 million
- Vehicle Replacement \$4.5 million
- Annual Paving Program \$752,300
- Annual Sidewalk Maintenance \$150,000
- Civic Center Maintenance & Repairs \$400,000
- Municipal Building Maintenance \$250,000
- Parks Centers & Facilities Repairs \$500,000

General Fund Capital Budget Policy Recommendations



- Staff will “zero-base” the capital budget to determine most effective use of the limited funding.
- Recommend that future debt service savings be earmarked for capital improvements:
 - FY 2011-12: \$1.0 million
 - FY 2013-14: Additional \$1.0 million

Budget Calendar



- March 23: Adoption of Fees?
- March 24 – April 23: Staff finalizes proposed budget
- May 11– Budget Presentation
- May 25 – Budget Worksession/Public Hearing
- June 22 – Budget Adoption

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